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ABSTRACT

The distribution of family incomes is now slightly more equal than the distribution of husbands' earnings. Movements toward equal opportunity for women are likely to have only a small effect on family income inequality. In a world with no differences by sex in work behavior, we could expect that the work experience of women and men and the inequality in the distributions of women's earnings and men's earnings would be equal. The most unequal situation for family incomes in such a world would occur if the earnings of husbands and wives were perfectly correlated. Then, the degree of family income inequality would equal the degree of inequality in husbands' earnings (which would be the same as wives' earnings). Thus, in the long run, the women's movement and attempts to equalize opportunity by sex imply only a slight increase in the current degree of inequality even if husbands' and wives' earnings were to become perfectly correlated; under more realistic assumptions it appears that the economic advances of wives will not increase family income inequality. (Author/WI)

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DO WORKING WIVES INCREASE FAMILY INCOME INEQUALITY?

Sheldon Danziger

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ABSTRACT

This note measures the contribution of wives' earnings to family income inequality in 1967 and 1974. The earnings of wives have a small equalizing impact on the distribution of family income that remained relatively stable between 1967 and 1974, despite rapid increases in the work experience of wives. It appears that, contrary to popular opinion, the economic advances of wives will not increase family income inequality.

Do Working Wives Increase Family Income Inequality?

In 1951, about 23% of married women were in the paid labor force; by 1974 their labor force participation rates had more than doubled. During the early post World War II period, married women were more likely to work if family income from other sources were low. In such cases, the earnings of wives raised the incomes of families located at the bottom of the income distribution and reduced family income inequality. In recent years, due in part to the women's movement and to efforts to equalize opportunity, the negative relationship between wives' work experience and family income has weakened. The most rapid increases in work experience have been among women in families with higher incomes. Increases in earnings among wives in high income families increase family income inequality. Thurow (1975) has suggested that although wives' earnings were once a factor leading to an equalization of family incomes, they are now "becoming a source of family inequality" (p. 12).

This note uses microeconomic data from the March 1968 and March 1975 Current Population Surveys (CPS) to measure the contribution of wives' earnings to family income inequality in 1967 and 1974. The data allow computations not available from published studies, but restrict the analysis to the recent past. The results show that the earnings of wives have a small equalizing impact on the distribution of family income that remained relatively stable between 1967 and 1974, despite rapid increases in work experience by the wives of husbands with higher-than-average earnings.

Table 1 reveals the work experience of wives and their contributions to family income by the earnings class of the husband (in 1974 dollars). Between 1967 and 1974, the percentage of white wives who worked at any time during the year increased from 45 to 51%.[1] Although the most rapid increases in work occurred among the wives of husbands with earnings above $20,000, the work experience of wives still generally declines as husbands' earnings increase. The major exception to this is that the wives of husbands with very low earnings (below $1000) work the least.

This negative relationship between husbands' earnings and wives' work experience is also evident for nonwhite families (with the same exception that the wives of husbands with the lowest earnings work less than other wives). For nonwhites, the percentage of wives who worked was about 61% in both years, with increases in work experience among wives of husbands with high earnings offsetting decreases among the wives of husbands with low earnings. Holding husband's earnings constant, nonwhite wives are more likely to work than are white wives throughout most of the distribution.

Despite these changes in the work experience of wives, their earnings as a percentage of total family income in both years remained almost constant at about 13% for whites and about 18% for nonwhites. Although over half of all wives work, their contribution to family income remains modest because most are working only part time and/or part year. The negative relationship between wives' rates of contribution to family income and husbands' earnings is more pronounced than the relationship between work experience and earnings in both years and for both races because the average

Table 1

Working Wives and Family Income[a]

Husbands' Earnings Class[b]	Percentage of Husbands in Earnings Class[c]		Percentage of Wives with Work Experience During Year		Mean Earnings of Wives Who Worked[d]		Wives' Earnings as a Percentage of Family Income[e]	
	1967	1974	1967	1974	1967	1974	1967	1974
Whites								
< $2000	15%	18%	28%	29%	$2626	$4296	14%	13%
$2000 - 6000	13	11	54	60	2411	3761	19	20
$6000 - 10,000	25	19	54	64	2721	4182	15	18
$10,000 - 12,500	18	16	50	59	2909	4603	12	14
$12,500 - 20,000	22	24	42	53	2989	4833	8	10
$20,000 - 30,000	5	8	32	46	3565	5102	5	7
> $30,000	2	3	26	36	4361	5137	3	4
All	100	100	45	51	2810	4472	12	13
Nonwhites								
< $2000	19	22	47	42	1285	3661	18	19
$2000 - 6000	30	19	66	67	1688	3232	18	21
$6000 - 10,000	31	27	69	70	2495	4472	18	21
$10,000 - 12,500	11	15	61	67	3327	5379	16	18
$12,500 - 20,000	8	14	64	60	4043	6561	16	15
$20,000 - 30,000	1	2	41	54	4360	8188	7	13
> $30,000	0.3	1	26	33	2753	7980	3	5
All	100	100	62	61	2294	4642	17	19

[a]Families include only those households with both husband and wife present.

[b]Constant 1974 dollars.

[c]May not add to 100% because of rounding.

[d]Current dollars.

[e]For all families, including those with nonworking wives.

Source: Tabulations from the March 1968 and March 1975 Current Population Surveys.

yearly earnings of wives who work are more equally distributed across husbands' earnings classes than are the earnings of their husbands. Thus, although wives account for about 20% of family income at the lowest end of the distribution, they account for only about 5% at the top. For nonwhites, wives' contributions to family income is fairly constant for the largest part of the distribution.

Wives' earnings as a percentage of family income depend on both the relationship between the percentage of wives with work experience and husbands' earnings, and the relationship between the mean earnings of wives who worked and husbands' earnings. The mean earnings of all white wives who worked was $4472 in 1974 and that of nonwhite wives was $4642, whereas the mean of white wives with husbands' earnings over $30,000 was $5137 and that of nonwhite wives was $7980. Nonetheless, this variation in the mean earnings of wives across husbands' earnings classes is smaller than the variation in the earnings of husbands. For example, the ratio of mean earnings for husbands earning over $30,000 to the mean for those in the $2000 to $6000 range is about 8 to 1, whereas the ratio of mean earnings for white wives in these categories is 1.36 to 1 ($5137 to $3761) and that of nonwhite wives is 2.47 to 1 ($7980 to $3232).

Contrary to popular opinion, the wives of husbands with high earnings do not earn high wages. The simple correlation between the earnings of husbands and the wage rates (yearly earnings/weeks worked) of their working wives is .11 for whites and .28 for nonwhites in 1974. The correlation coefficients were slightly smaller for families with husbands aged 25-34 even though more wives in this age group than in any other were working. The pattern in Table 1 is one in which the absolute income gap

between the family incomes of husbands with low earnings and those with high earnings is slightly widened by the earnings of wives, whereas the relative gap is slightly narrowed.

Table 2 summarizes the effect of the earnings of working wives on mean family income and family inequality. The Gini coefficient of family income is relatively constant for both whites and nonwhites in 1967 and 1974.[2] In both years, white mean family income is about 16% higher and the Gini coefficient about 5% lower than it would have been if wives had not worked.[3] For nonwhites, family income is raised by more than 25% by wives' earnings, but the Gini coefficient is not affected by the earnings of wives. In 1974, nonwhite family income was 78% of whites; this ratio would have been only 71% if nonwhite wives had not worked more than white wives.[4]

Sweet (1971) performed an analysis similar to the one presented here using 1959 incomes as enumerated in the 1960 Census. His results for 1959 are almost identical to those reported here: wives' earnings reduce family income inequality slightly for non-Black families and have almost no effect for Black families. He also found a decline in wives' labor force participation rates as husbands' incomes increased. Thus the results presented here together with those of Sweet suggest no real change in the effect of wives' earnings on family income inequality in the entire 1959-1974 period, and do not confirm Thurow's hypothesis that wives' earnings are now becoming a source of family income inequality.[5] White wives exert a small equalizing impact on the distribution of family incomes; nonwhite wives, a negligible effect. For both groups, these effects became slightly more equalizing between 1967 and 1974, with wives

Table 2

Working Wives and Family Income Inequality

	Mean Income		Gini Coefficient	
	1967	1974	1967	1974
Whites				
Total family income	$9379	$15,554	.323	.323
Total family income less wives' earnings	8130	13,327	.339	.344
Change due to wives' earnings	15.4%	16.7%	-4.6%	-5.9%
Nonwhites				
Total family income	$6702	$12,154	.350	.344
Total family income less wives' earnings	5319	9479	.345	.347
Change due to wives' earnings	26.0%	28.2%	+1.4%	-1.0%

Source: See Table 1.

accounting for about 20% of family incomes at the bottom of the income distribution and about 5% at the top.

The distribution of family incomes is now slightly more equal than the distribution of husbands' earnings. Movements toward equal opportunity for women are likely to have only a small effect on family income inequality. In a world with no differences by sex in work behavior, we could expect that the work experience of women and men and the inequality in the distributions of womens' earnings and mens' earnings would be equal.[6] The most unequal situation for family incomes in such a world would occur if the earnings of husbands and wives were perfectly correlated. Then, the degree of family income inequality would equal the degree of inequality in husbands' earnings (which would be the same as that of wives' earnings).[7] Thus, in the long run, the women's movement and attempts to equalize opportunity by sex imply only a slight increase in the current degree of inequality even if husbands' and wives' earnings were to become perfectly correlated; under more realistic assumptions it appears that the economic advances of wives will not increase family income inequality.

NOTES

[1]The percentage of wives with work experience exceeds that of wives in the labor force (the data usually cited) because it refers to wives who worked at any time during the calendar year; the labor force participation rate refers only to those who were employed or unemployed during the survey week.

[2]The analysis shown in Table 2 was repeated using the share of total income received by each quintile as the measure of inequality. The results were quite similar. Additional tables that excluded (1) farm families and the aged or (2) income other than husbands' and wives' earnings, were prepared, but did not reveal significantly different patterns of the effects of wives' earnings.

[3]In Table 1, the last column shows that the average rate of wives' contributions to family income is 13% for whites and 19% for nonwhites in 1974. This mean of proportions is represented by $\frac{1}{N}\sum_{i=1}^{N}\left(\frac{WEi}{Yi}\right)$ where N is the number of families, WEi is the earnings of the wife in family i, and Yi is the income of family i. In Table 2, the change in mean income due to the wives' earnings is 16.7% for whites and 28.2% for nonwhites in 1974. This proportion of the means is represented by

$$\frac{\frac{1}{N}\left(\sum_{i=1}^{N} Yi - \sum_{i=1}^{N} (Yi - WEi)\right)}{\frac{1}{N}\sum_{i=1}^{N} (Yi - WEi)}.$$

For example, if there are two families, one with an income of $100 and the other with an income of $1000, and if the first wife earns $75 and the second wife $250, then the wives' rates of contribution to family income are 75% and 25% respectively. The first table would then show a mean rate of wives' contributions equal to 50%. Table 2, however, would show that mean family income was $550, and that mean family income less wives' earnings was $387.50. Thus, mean family income changes by 42% because of wives' earnings ($550-3 7.50/387.50).

[4]The mean earnings of white wives who worked increased from $2810 to $4472 (by 59%), whereas the mean earnings of nonwhite wives increased from $2294 to $4642 (by 102%).

[5]The analysis presented here does not take into account possible behavioral responses that may have occurred as a result of the increased labor market opportunities for married women. For example, changes in both family composition and the work effort of husbands are ignored. Suppose that a woman's increased earnings reduced her financial dependence on her husband and allowed her to leave an unhappy marriage. In such a case, the Census would record a husband-wife family in the first year but two other units in the second. Neither of these units would be included in our analysis of husband-wife families in the second year. Or suppose that a woman's increased earnings caused her husband (assumed to be the median earner) to reduce his own earnings by a similar amount. In such a case the family's income would be identical in the two years, but the data would show only the equalizing effect of the wife's earnings, and not the offsetting disequalizing effect of the husband's labor supply response.

[6]This assumes that the increase in the number of wives who work would not alter the distribution of husbands' earnings.

[7]In the extreme, all men and women would work and earn the same wages for the same tasks. Thus a husband with earnings of X would have a wife with earnings of X, and a husband with earnings of 2X, a wife with earnings of 2X. The ratio of family incomes (4X to 2X) would be the same as the ratio of husbands' earnings (2X to 1X). This represents a constant degree of inequality in husbands' earnings, wives' earnings, and family incomes even though the absolute income gap between the two families has increased because of the earnings of the wives.

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